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PROPOSALS FOR THE ESTABLISHMENT OF AN AFRICAN INSTITUTE OF CHARTERED ACCOUNTANTS

These proposals were prepared by H.R. Monday Jnr. The views expressed in this paper are not necessarily those of the United Nations Economic Commission for Africa.

1.0 Purpose and objectives of study

1.1 This study is undertaken with a view to setting ideas on or guidelines for the establishment of a Fellow or Member Institution for training, examining, conferring qualifications, certifying and accrediting for professional practice, in accountancy, in the region (Africa).

Specifically, the objectives of the study are to:

1. Determine the nature and scope of the problems involved in setting up a "Member" or "Fellow" institution in the professional area of accountancy;
2. Design guidelines for establishing post-graduate fellow institutes or colleges for promoting the excellence of professional training and standards of practice for accountancy;
3. Develop policy, administrative and legislative measures conducive to the establishment and sustenance of locally constructed professional "fellow" institutes or colleges for setting standards, moderating cirriculum development, training, conferring "fellowships" or "memberships", and accrediting African nationals for professional practice in accountancy and related professional areas of practice within the region.

2.0 Terms of reference

2.1 The following are the terms of reference for the study.

2.2 To review the nature and scope of the problem relative to the establishment and development of "fellowship" or "membership" institutes or colleges for examining, conferring certification/qualification and accrediting individuals for professional practice in accountancy.

2.3 To review the adequacy of known (within Africa) existing professional institutes; their training programmes, facilities, examinations set, certification and accreditation procedures practices for the development of professionals from middle level technicians to high and specialized level professionals in accountancy.

2.4 On the bases of 2.2 and 2.3 above, to design guidelines or a structure for establishing a sub-regional or regional post-graduate "fellow" institutes or colleges for professional training, setting standards, fellowship examination, certification and accrediting nationals for professional practice in accountancy.

2.5 Relative to 2.4 above, the structure should propose policy guidelines, administrative and legislative measures, structure and function of the institute or college.

3.0 Approach to the study

3.1 In preparing this study discussions were held with professionally qualified accountants and also with indigineous practising accountants

in order to have an insight into their experiences, and perceptions of their problems in respect of accountancy training and practice. Efforts were also made to define a suitable status for the establishment of an institution that will serve the interest of accountants in Africa and that will also examine, confer qualifications, certify and accredit for professional practice in Africa.

3.2 The study endeavours to link the regional institution with institutions and colleges that already exist in African countries which provide training facilities in accountancy in those African countries.

4.0 Historical background of accountancy profession in the region

4.1 African countries tend to follow the educational pattern and process of the metropolitan countries that had colonized them. This tendency has continued after independence with Africans still preferring to pursue higher education in European and American institutions.

4.2 Accountancy was no exception, although it is one of the disciplines which was late to be taken up by Africans either because of lack of thorough knowledge of what was involved in the accountancy field by African Governments or because of the very stringent entry requirements of study in accountancy in European countries. The problems of entry somewhat eased when other accountancy associations and institutions were formed in these European countries, e.g. The Association of Certified Accountants in Britain, etc.

4.3 Presently, despite all these separate institutions in European countries, there are still enormous problems being posed for the Africans in the study of accountancy and in the practice of accoutancy even in their own African countries. After about 20 years of independence, Accountancy institutions were formed in some African countries. These institutions serve in the majority of cases, the interest of citizens in those African countries. Citizens of other countries could study in these African institutions and acquire their qualifications, e.g. The Ghana Institute of Chartered Accountants, The Institute of Chartered Accountants of Nigeria, The Kenya Certified Public Accountants. This was a welcome move by these African countries but these African institutions need to be known, and used more effectively throughout Africa. This could only be done by a regional institution aimed at co-ordinating the activities of such institutions and also provide the facilities for students in the region who do not have their own national accountancy institute.

4.4 It is unfortunate that most African Governments and Africans in particular are not aware of such African Institutions and, therefore, could not use them effectively. Even if they could, they still tend to favour sponsoring and attending institutions in European countries and some do in fact regard the qualifications of the European institutions higher than the qualifications of the African institutions, even though they may be of the same standard or that of the African Institution even higher.

4.5 The fact that Africans have entered the field of accountancy relatively recently, has also had an adverse effect on those already in the field of accountancy practice. International Public Accountancy Practising Firms are already firmly established in the African region with names that are internationalized and are, therefore, recognized world-wide. The African accountant has, therefore, found it difficult to break into Public Accountancy Practice with an African name to compete with these international accountancy firms. To compound this problem, African Governments and African Businessmen patronise the International Firm and as a result Africans venturing into Public Accountancy Practice usually reluctantly join and use such international names.

5.0 Problems relative to the establishment of a regional institute of accountancy

5.1 Some of the difficulties mentioned above could be overcome with the establishment of a regional institute of accountancy which would serve the interest of accounting students and members in the region. However, the establishment of such an institute would not be without its problems. Some of the problems relative to the establishment and development of "fellowship" and "membership" institutions or colleges of accountancy in Africa are:

1. Such institutions are very expensive to organize and run and proper financial planning is, therefore, needed. Subscriptions from students and members might not be adequate initially and experience elsewhere has shown that African Governments have been slow in paying their subscriptions.

2. In relation to (1) above, if subscriptions are to be paid in foreign currency is the Dollar or Pounds Sterling, problems could be created because of shortage of foreign exchange in African countries. However, the African Association of Central Banks might be able to facilitate payments through their Clearing Houses.

3. It will initially be difficult to change the attitude of people in their thinking away from the European and American Institutions to an African Regional Institution. It is important to have a transitional period of say 5-10 years within which to accommodate those already involved with these foreign institutions.

4. Even after this transitional period, it would be difficult to exclude people who choose to qualify from Europe and America.

5. Recognition of the Regional Institute by European and American Institutes as well as International concerns would be difficult initially. It is important that the institute promotes itself regionally and internationally, by, among other things, assisting members holding its qualifications and its practising certificates to have recognition for jobs and contracts in projects financed by organizations such as the World Bank, The African Development Bank and the United Nations.

6. External examinations of the institute would have to be sat on the same day and at the same time. This would require examination papers to arrive at their destinations well before the examination date and for which security for these examination papers would be required.

   Any leakage of such papers would seriously affect the International Standing of the Institute. The West African Examination Council and other examination councils in other sub-regions could be used to assist in the external examination of the institute.

7. The Practising Certificate which the institute would confer to accountants might not be recognized outside the region and this will cause practitioners to try and seek practising certificates from Europe and America so that they could enjoy both worlds.

8. Because of the ineffectiveness of communication in the Region, it might not be feasible initially to conduct two exams annually.

9. The regional institute would have to develop satisfactory working relationships with existing African national accounting institutes.

10. Company law and taxation matters differ from country to country and the Institute would have to take this into consideration.

6.0 Review of the adequacy of known (within Africa) existing professional institutes

6.1 There are a few professional institutes of accountancy in Africa and some of these are the Institute of Chartered Accountants of Ghana, the Nigerian Institute of Chartered Accountants, the Kenyan Certified Public Accountants. This paper will concentrate mainly on the Institute of Chartered Accountants of Ghana and briefly on the Institute of Chartered Accountants of Nigeria.

6.2 The Institute of Chartered Accountants (Ghana) was established in 1963 by an Act of Parliament in Ghana (Act 170) "to make provision for the conduct of examinations by the Institute and other matters connected with the accountancy profession". The Institute has to date, twenty-one years of experience and during this period has strived to enhance the standard of accountancy in Ghana by producing professional accountants to assist in the development process of Ghana. Students from the sub-region were also able to take advantage of the establishment of this institute. The institute's first members were drawn from already professionally qualified accountants from the United Kingdom possessing ACCA, ACA and ACMA and from Nigeria possessing the Nigeria Chartered Accountants qualification.

6.3 The principal objectives of the institute are:

(a) To provide an organization for men and women of education, ability and experience who desire to qualify as accountants and secure a professional status;

(b) To increase knowledge and efficiency in accountancy in public practice, industry, commerce, nationalized industries and local and central governments;

(c) To enforce the generally accepted rules of professional conduct;

(d) To collect, collate and publish information of service and interest to members of the profession.

6.4 With a view to achieving these objectives, the Institute introduced an organizational structure that would enable it function effectively and efficiently. Although the administration of the Institute is the function of the governing council, the council does not deal with all its work at its meetings. Some of its powers are delegated to standing committees. These committees are the Examination Committee, the Admission Committee, the Public Relations Committee, the Technical and Research Commi-tee, the Education and Training Committee, the Editorial Committee, the Disciplinary Committee and the Finance Committee. The institute has its Secretariat in Accra, Ghana from where it functions and is headed by an Executive Secretary.

6.5 The standard of the Institute in Ghana is high although the output of professionally qualified accountants is extremely low and in a way not assisting in the development process in Ghana as was originally envisaged. For example, in the first 12 years of its existence, the Institute has not been able to produce twelve qualified accountants. This rate of output was not in line with the responsibility which was charged on the Institute by the then Ghanaian Head of State (1974) to produce 2000 qualified accountants in ten years, i.e. 200 in a year. The problem was that enough was not done by the Ghanaian Government to achieve such a target.

6.6 The training programme for trainee accountants was and is still extremely inadequate. The institute sets external examinations which are taken in various examination centres in Ghana,

The candidate is, therefore, expected to have prepared him or herself for such an examination by attending Polytechnics in Accra and Kumasi or private accountancy training institutions. The Institute itself runs courses before examinations. Sometime ago, a Fourth Year Accounting Course was introduced at the School of Administration jointly with the Institute of Chartered Accountants, Ghana but this scheme has since been abandoned mainly because of the low pass rate of the institute.

6.7 The examination set by the Institute is now divided into an Intermediate Examination and a Final Examination. The Intermediate Section is made up of Part A and Part B and the Final made up of Sections I, II and III. The subjects in these parts and sections are as follows:

6.9 On successful completion of Section III of the Final Examination, certificates are awarded to candidates who would be regarded as graduates until they become associate members of the Institute.

Full membership can be obtained after the completion of a five-year period of qualifying service beginning from the date of registration, and subject to a reduction of two years in the case of graduates of approved Universities.

Qualifying service in this context means:

(a) Attachment to a firm of accountants, members of which are members of the Institute; or

(b) Approved service in industry or commerce under a professionally qualified accountant.

6.10 In Nigeria, there is a similar set-up although older than the Ghanaian one. The Nigerian one is called the Institute of Chartered Accountants of Nigeria (ICAN) which conducts yearly examinations in May and November in Nigeria and in London, England. Subjects of the examination are similar to the Ghanaian ones and include Auditing, Accounting, Quantitative Analysis and Management Accounting etc. Its examination syllabus is made up of three parts; the Foundation of Professional I and II each with five subjects. Training of students for the professional examinations in Nigeria is done in Polytechnics, recognized training centres and in universities. Certificates are awarded to students who successfully completed professional II exams and such certificates are recognized by British Accounting Bodies.

7.0 The establishment and development of an institute of accountancy in Africa

7.1 It is of paramount importance that a regional institution of Accountancy be established and developed to serve all countries in the region.

The institution may be called "The African Institute of Chartered Accountants" and may render services such as:

(a) Accepting into its membership Africans who have already attained recognized professional accountancy qualifications from Ghana, Nigeria, United Kingdom or America or other countries;

(b) Accepting students registration into the institution with the aim of setting external examinations for the African students who may have no accountancy training institutions in their own countries. Student-ship could be divided into the technician level and the professional level or intermediate level and final level;

(c) Setting registration requirements similar to those of recognized universities;

(d) Making provisions for colleges and institutions in the region to teach students the syllabus set by the regional institution;

(e) Agreeing on a standard with national accountancy training institutions in the region and accepting the qualifications achieved by students of these institutes; thus actually making such graduates, members or graduates of the regional institution;

(f) Providing an accountancy journal for the region;

(g) Conferring practising certificates to members entitled to such certificates, to enable them practice anywhere in the region;

(h) Setting bye-laws, rules and regulations binding students and members of the regional institution;

(i) Providing literature for the Accountancy Profession in the region;

(j) Affiliating the institution with international bodies in Accountancy such as the International Accounting Standard Committee (IASC) to set standards in Accountancy and Auditing.

8.0 Guidelines for the establishment of a regional institute

8.1 To establish such a regional or sub-regional institute, guidelines must be set and these would include:

(i) an organizational structure for the institute which must first be put in place;

(ii) the formation of a governing council which would delegate powers to sub-committees;

(iii) the financial requirements of the institute and sources of finance for a start-up capital as well as for the operations of the institute;

(iv) rules and regulations and bye-laws which could form the basis for the functioning of the institute;

(v) the formulation of the legal status of the institute.

9.0 Organizational structure and governing council

9.1 The Institute would be staffed by a full time registrar who would head the institute assisted by a secretary and other administrative staff as may be decided. The Registrar would be answerable to a Governing Council that is non-executive and would appoint a president from among its members who are drawn from all parts of the region.

The Governing Council would also appoint sub-committees and would delegate some of its powers and responsibilities to the sub-committee. The members of the sub-committees would also be drawn from countries in the region and each committee would have a chairman.

9.2 The following are some of the sub-committees that may be constituted:

(a) Disciplinary Committee

This committee would deal with ethical matters, standards of conduct and practice of members affecting the profession as a whole.

(b) Finance Committee

This committee would be responsible for accounts and investments. Its principal function would be to consider and recommend to council the annual budgets; it would keep a close watch on the actual income and expenditure throughout the year compared with the budget and so would consider the financial implications of any proposed development or policy changes that would arise and which would require either additional funds or reallocation of existing resources.

(c) Public Relations Committee

This committee would be responsible for the publicity and public relations for the institute, both as an individual organization and within the context of the profession as a whole.

(d) Technical and Research Committee

This committee would concern both the qualified and the student. The committee would consider legislation passed in each country in the region which has financial and accounting implications, company legislation, taxation and accounting standards.

(e) Editorial Committee

This committee would be responsible for the publication of the accountancy journal of the institute, any quarterly journal or literature as well as students newsletters, if any.

(f) Admission Committee

This committee would be responsible for the examination of applications for membership from graduates (students who would have completed examinations and awaiting membership). The committee would also consider each application for registration for studentship. It would also deal with disciplinary matters relating to students (such as those who would infringe examination regulations).

(g) Education and Training Committee

This committee would liaise with the examination committee and would deal with the academic side, careers and colleges and training institutions in the region. It would also deal with post qualification and training and education.

(h) Examination Committee

This committee would be responsible for the examination, syllabuses, the content of exams, exemptions from exams and appointment of examiners, moderators, etc.

10.0 Finance for the institute

10.1 The regional institute would need to be started off the ground which would involve the setting up of a headquarters somewhere in the region. These would have to be financed by someone and it is envisaged that through the ECA member Governments of the region would provide the initial capital needed to start the institute. These would have to be properly costed after a decision in principle is taken.

10.2 The institute would also need to finance its operations and it might be suggested that the member Governments of ECA provide the initial working capital and thereafter the institute would generate funds from members and students in the form of membership fees, students subscriptions, examination entry fees, etc. Member Governments would also contribute annually to the running of the institute.

11.0 Bye-laws

11.1 Bye-laws would have to be formulated for the regional institute and would be in the form of rules and regulations which would cover all aspects of the operations of the institute. The bye-laws would deal with the affairs of members and students and could also serve as guidelines for the functioning of the staff, the sub-committees as well as council.

12.0 Legislative status of the institute

12.1 If the idea of setting up a regional institute is favoured by this conference, it should be developed with appropriate details and submitted to the appropriate legislative organs of the ECA for endorsement. A resolution could then be passed for the establishment of such an accountancy institute.

12.2 This resolution would then be sent to member Governments for ratification by their Parliaments or Legislative Chambers, and an instrument of ratification which is in the form of a certificate would be issued. These instruments would then be registered and deposited with the UN and the OAU.